

Message Text

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PAGE 01 LONDON 11130 161800Z

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ACTION EB-07

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TO SECSTATE WASHDC 3754

INFO AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: BDIS, BE, UK, US

SUBJECT: TRADE COMPLAINT - AVCO LYCOMING

REF: BRUSSELS A-97

1. PRESIDENT OF AVCO-LYCOMING, MR. HOGEMAN, AND SEVERAL SENIOR MEMBERS OF HIS STAFF WERE IN UK WEEK OF JULY 12 ON OTHER BUSINESS AND TOOK OPPORTUNITY TO DISCUSS COMPLAINT REPAIR WITH BROWN OF FAIREY CO. UK.

2. MR. JOHN M. FERRIS, SENIOR VICE PRESIDENT AND GROUP EXECUTIVE OF AVCO CORPORATION, AND MR. JOSEPH S. BARTOS, VICE PRESIDENT AND GENERAL MANAGER, AVCO-LYCOMING, BRIEFED EMBOFF ON THEIR DISCUSSIONS. FERRIS SAID THEY HAD BEEN AWARE OF FAIREY'S DISSATISFACTION ON PRICE PROBLEM DESCRIBED REF AND, IN FACT, HAD SENT TWO AVCO VICE PRESIDENTS TO EXPLAIN ISSUE TO FAIREY UK IN MAY, AS WELL AS SEVERAL LETTERS FROM PRESIDENT AND OTHER AVCO OFFICERS, BEFORE COMPLAINT REPORTED REF HAD BEEN MADE, BUT, APPARENTLY, WITHOUT SATISFYING FAIREY.

3. AS AVCO DESCRIBES PROBLEM, IT APPEARS TO HAVE RESULTED FROM MISUNDERSTANDING BY NEW FAIREY CO. OFFICIALS WHO HAVE IN PAST 3 MONTHS TAKEN OVER CONTROL FROM BRITTEN AND NORMAN OF THEIR COMPANY, WHICH HAD ORIGINALLY PRODUCED THE ISLANDER AIRCRAFT. AVCO REPS POINTED OUT THAT ENGINES INVOLVED ARE RECIPROCATING TYPES PRODUCED AT AVCO WILLIAMSPORT FACILITY RATHER THAN AT STRATFORD

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PAGE 02 LONDON 11130 161800Z

PLANT WHICH PRODUCES TURBINE ENGINES.

4. AVCO REPS SAID THEY CONSIDER THEY HAVE NOW RESOLVED
ISSUE WITH FAIREY BY CAREFUL REVIEW OF PRICING POLICIES
AND COSTS WHICH GO INTO THEM. THEY POINTED OUT THAT
COSTS OF MATERIALS FOR ENGINES USED IN ISLANDER AIRCRAFT
HAD RISEN SOME 59 PERCENT SINCE 1972 WHILE ENGINE PRICE HAD ONLY
BEEN INCREASED SOME 37 PERCENT DURING THAT PERIOD. THEY NOTED
THAT AVCO USES A WORLD PRICING SYSTEM WHICH IS APPLIED
EQUALLY TO ALL PURCHASERS. FAIREY (AND PREVIOUSLY
BRITTEN-NORMAN) IS ACCORDED SAME PRICES AS ALL OTHER
BUYERS.

5. COMMENT: IT SEEMS TO US THAT AVCO HAS BEEN VERY
COOPERATIVE IN SETTLING THIS COMPLAINT AND MISUNDERSTAND-
INGS BETWEEN THEM AND FAIREY WHICH APPARENTLY RESULTED
FROM CHANGE OF MANAGEMENT NOW SETTLED TO SATISFACTION OF
BOTH PARTIES.

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